



## SPECIAL CABINET – 18<sup>TH</sup> JANUARY 2023

**SUBJECT: DRAFT BUDGET PROPOSALS FOR 2023/24**

**REPORT BY: CHIEF EXECUTIVE**

### 1. PURPOSE OF REPORT

- 1.1 To present Cabinet with details of the draft budget proposals for the 2023/24 financial year to allow for a period of consultation prior to a final decision by Council on 23 February 2023.

### 2. SUMMARY

- 2.1 The report provides details of draft budget proposals based on the Welsh Government (WG) Provisional Local Government Financial Settlement for 2023/24.
- 2.2 The report also provides details of a range of cost and service pressures that require funding, details of proposed savings and the use of reserves, along with a proposed increase of 7.90% in Council Tax to enable the Council to set a balanced budget for the 2023/24 financial year.
- 2.3 An updated indicative Medium-Term Financial Plan (MTFP) is also appended to the report showing a potential savings requirement of £48.047m for the two-year period 2024/25 to 2025/26.

### 3. RECOMMENDATIONS

- 3.1 Cabinet is asked to: -
  - 3.1.1 Endorse the 2023/24 draft budget proposals, including the proposed permanent and temporary savings totalling £12.421m and the proposed one-off use of reserves of £15.051m.
  - 3.1.2 Support the proposal to increase Council Tax by 7.9% for the 2023/24 financial year to ensure that a balanced budget is achieved (Council Tax Band D being set at £1,353.01).
  - 3.1.3 Agree that the draft budget proposals should now be subject to consultation prior to final 2023/24 budget proposals being presented to Cabinet/Council in February 2023.
  - 3.1.4 Note the indicative potential savings requirement of £48.047m for the two-year period 2024/25 to 2025/26.

## **4. REASONS FOR THE RECOMMENDATIONS**

- 4.1 Council is required annually to approve proposals to set a balanced budget and agree a Council Tax rate.
- 4.2 Council is required to put in place a sound and prudent financial framework to support service delivery.

## **5. THE REPORT**

### **5.1 Background and Economic Context**

- 5.1.1 The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, are major influences in determining the 2023/24 Draft Budget Proposals and the medium-term financial outlook.
- 5.1.2 The Bank of England (BoE) increased the Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November which was the largest single rate hike since 1989, and the ninth successive rise since December 2021. The December decision was voted for by a 6-3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.
- 5.1.3 The November 2022 quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with Consumer Prices Index (CPI) inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected to remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.
- 5.1.4 The UK economy contracted by 0.3% between July and September 2022 according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline by 0.75% in the second half of the calendar year, due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.
- 5.1.5 CPI inflation was expected to peak at around 11% in the last calendar quarter of 2022 (10.7% in November with December to be confirmed), and then fall sharply to 1.4% in two years' time and to 0% in three years' time. This assumes that the Bank Rate follows the path implied by financial markets at the time of the November 2022 MPR (i.e. a peak of 5.25%). However, the BoE has stated that it considers this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.
- 5.1.6 The current economic situation means that the Council (along with all others) is faced with unprecedented financial challenges. Due to austerity, between 2008/09 and 2021/22 the Council has already delivered savings of £106m to address reductions in funding and inescapable cost pressures. However, the details set out in this report show a savings requirement of £27.472m for 2023/24 alone, and due to the temporary nature of many of the measures proposed to balance the budget for 2023/24, it is currently anticipated that total permanent savings of £48.047m will be required for the two-year period 2024/25 to 2025/26.
- 5.1.7 The scale of the challenge facing the Council cannot be underestimated. Clearly, a financial strategy that seeks to continuously salami slice our services and deplete our reserves is not a sustainable or an appropriate approach, especially when the demands upon our services are far higher than ever, as our communities continue to present far greater and increasingly complex needs to us. To ensure we are able to meet the needs of our communities, whilst

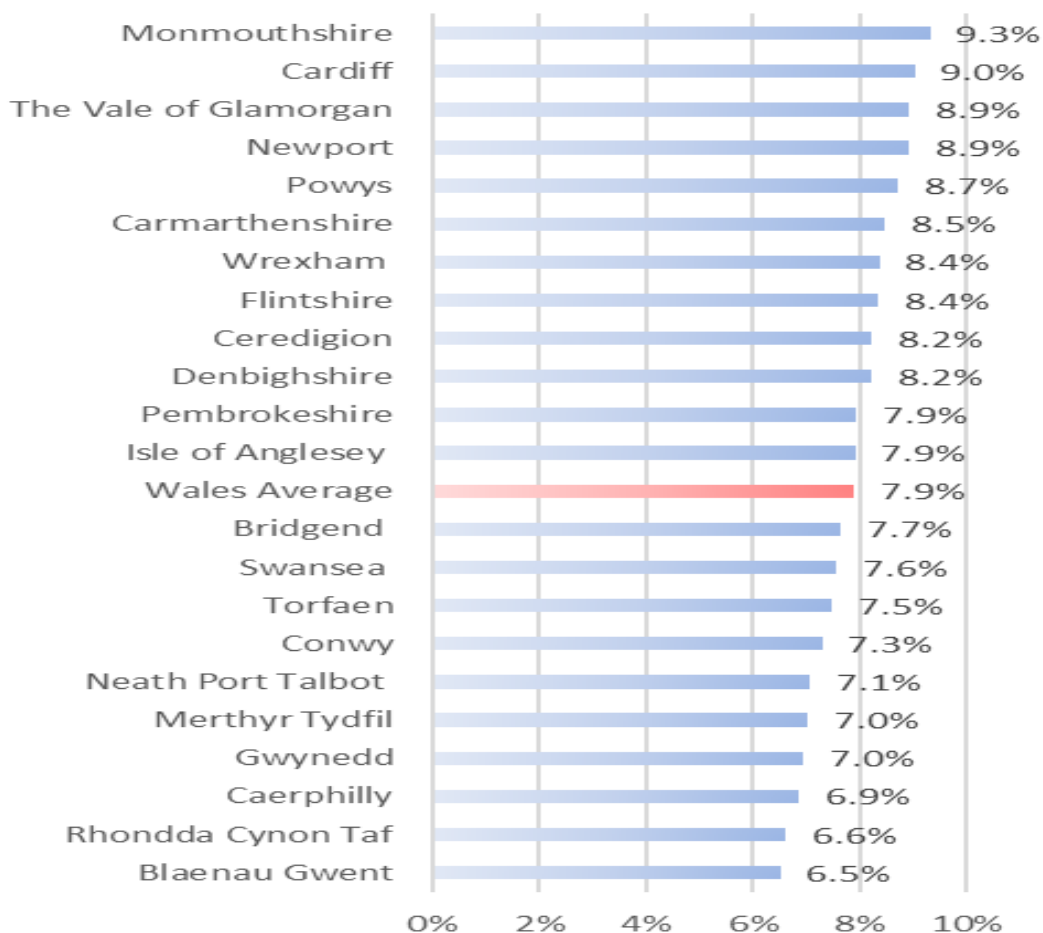
operating with reduced funding, a whole council and a whole county borough holistic approach is needed, and it is inevitable that some difficult decisions will need to be made at pace.

## 5.2 Welsh Government (WG) Provisional Local Government Financial Settlement for 2023/24

5.2.1 The Local Government Financial Settlement received from WG on an annual basis is referred to as Aggregate External Finance (AEF). This consists of a Revenue Support Grant (RSG) and Redistributed Non-Domestic Rates (business rates). Details of the Provisional Local Government Financial Settlement are usually announced by WG in early October each year. However, in recent years due to economic uncertainty the announcement has been delayed until December and details of the Provisional Local Government Financial Settlement for 2023/24 were not released until 14 December 2022.

5.2.2 On an All-Wales basis there is an increase in Aggregate External Finance (AEF) of £403m or 7.9% on a like-for-like basis. Table 1 below shows the range around the average of 7.9% driven by the funding formula. This is largely a reflection of data movements in pupil numbers and free school meal entitlement derived from the schools' census, as well as the impact of the decennial Census on the population counts/estimates. The lowest increase is Blaenau Gwent with 6.5% and the highest is Monmouthshire with an increase of 9.3%.

Table 1 - Changes to AEF by Local Authority (2022/23 to 2023/24)



5.2.3 Overall core revenue funding rises to £5.5bn for 2023/24. For planning purposes an indicative figure of £5.7bn has been provided for 2023/25 which equates to an uplift of £169m (3.1%). This figure is dependent on current estimates of NDR income but the forward indication is helpful.

5.2.4 There is a small transfer in of resource for the coastal protection programme that affects Gwynedd, Conwy, and Swansea, otherwise there are no significant transfers into or out of the Settlement.

5.2.5 In terms of public sector pay, the Minister for Finance & Local Government is cognisant of the pay pressures in the future and makes specific reference to pay for social care workers and teachers: -

*“In making decisions about the level of funding for Local Government I have responded to the need to support key front-line services. In particular I have included funding to enable Authorities to continue to meet the additional costs of introducing the Real Living Wage for care workers.*

*As a result of spending decisions made in relation to education in England, Wales received a consequential of £117m a year in the Autumn Statement. This is being provided in full to Local Government through a combination of the Settlement and the Education MEG. The funding provided through this Settlement will therefore need to cover the costs arising from the 2023/24 pay deal which fall within the 2023/24 Settlement year. I have again taken the decision to provide all the available funding up front and not hold back funding for in-year recognition of the 2023/24 teachers’ pay deal. Authorities’ budget planning must therefore accommodate these costs.”*

5.2.6 In cash terms, the 6.9% increase for Caerphilly CBC provides additional funding of £22.152m for 2023/24. Whilst this is of course welcomed, the increase is well below the current unprecedented levels of inflation and the Council faces cost pressures totalling £55.771m for 2023/24 alone.

5.2.7 Changes to other pass-ported grants in the Provisional Settlement result in a net reduction of £202k for Caerphilly CBC in relation to the tapering of WG funding for Private Finance Initiative (PFI) Schemes.

5.2.8 The capital allocations available to Caerphilly CBC in the RSG and from the General Capital Grant have increased by £1.615m from the 2022/23 financial year. An updated Capital Programme will be presented to Cabinet and Council in February 2023.

### 5.3 2023/24 Draft Budget Proposals

5.3.1 The proposals contained within this report will deliver a balanced budget for 2023/24 on the basis that Council Tax is increased by 7.9%. Table 2 provides a summary: -

Table 2 – 2023/24 Draft Budget Proposals Summary

Description	£m
<b>Cost Pressures: -</b>	
• General Fund Services inflationary pressures (pay and non-pay)	24.739
• General Fund inescapable service pressures	18.104
• Schools cost pressures	12.928
<b>Total: -</b>	<b>55.771</b>
<b>Funded By: -</b>	
• 6.9% uplift in Provisional Settlement	22.152
• Permanent savings proposals	5.559
• Temporary savings proposals	6.862
• One-off use of reserves	15.051
• 7.9% proposed increase in Council Tax	6.147
<b>Total: -</b>	<b>55.771</b>

- 5.3.2 Whilst the proposals in this report present a balanced financial position for 2023/24, a significant element of this is being achieved through one-off temporary measures i.e. £6.862m of temporary savings and £15.051m through the use of reserves. These temporary one-off measures totalling £21.913m will only support the budget for 2023/24 and they provide some breathing space to identify, agree and implement permanent savings for the 2024/25 financial year. This will be a significant challenge for the Council and it is vital that an early start is made to identify proposals to address the financial shortfall.
- 5.3.3 The 2023/24 General Fund Services inflationary cost pressures totalling £24.739m are set out in Table 3 below: -

Table 3 – General Fund Services Inflationary Cost Pressures

	<b>£m</b>
National Joint Council (NJC) Pay Award	10.588
Increase in Employer Pension Contributions (NJC Staff)	1.106
Foundation Living Wage	0.218
Non-Pay Inflation	13.620
Non-Pay Inflation (Fees and Charges)	(0.793)
<b>TOTAL: -</b>	<b>24.739</b>

- 5.3.4 **National Joint Council (NJC) Pay Award** – The 2022/23 budget approved by Council in February 2022 assumed a NJC pay award of 3% from April 2022. However, the final approved pay award was an uplift of £1,925 across all pay scales which required additional funding of £4.788m to be identified. This has been funded in 2022/23 by a one-off contribution from surplus General Fund balances, and the additional cost has also now been factored into the base budget for 2023/24. In addition to this a further pay award of 5% is assumed from April 2023. The assumed 5% uplift will be held corporately in the first instance and released to budgets once the actual pay award for 2023/24 has been determined.
- 5.3.5 **Increase in Employer Pension Contributions (NJC Staff)** – The Greater Gwent (Torfaen) Pension Fund is subject to an independent triennial valuation of its assets and liabilities. The draft results of the 2022 valuation require a 1% increase in the employer's contribution for 2023/24. Further increases of 1% and 0.5% are also required for 2023/24 and 2025/26 respectively.
- 5.3.6 **Foundation Living Wage** – £218k is included in the 2023/24 Draft Budget Proposals to allow for an increase in the Foundation Living Wage hourly rate for General Fund Services staff.
- 5.3.7 **Non-Pay Inflation** – Inflation is at its highest level in 40 years with the Consumer Prices Index (CPI) inflation rate peaking at 11.1% during 2022. The most recent published data for the 12 months to November 2022 showed CPI at 10.7%. Much of this increase is being driven by the significant increases in the cost of energy, fuel, and food and drink. Forward purchasing arrangements for energy have largely protected the Council from the impact of energy price increases in the current year but increases of circa 250% for gas and 150% for electricity are anticipated for 2023/24, equating to an additional cost of circa £4.9m for the General Fund. Increases of 22.2% for fuel, 16.5% for food and drink and 5% for all other categories of expenditure have also been factored into the 2023/24 Draft Budget Proposals.
- 5.3.8 **Non-Pay Inflation (Fees and Charges)** - A generic increase of 5% is assumed for Fees and Charges.
- 5.3.9 Table 4 provides a summary of the 2023/24 General Fund Services inescapable service pressures totalling £18.104m. These pressures have been subject to a detailed review and have been incorporated into the 2023/24 Draft Budget Proposals on the basis that they are essential. Full details are provided in Appendix 1 for Members' consideration.

Table 4 – Summary of General Fund Inescapable Service Pressures

<b>Service Area</b>	<b>£m</b>
Corporate Services	1.104
Miscellaneous Finance	1.764
Economy & Environment	1.282
Social Services	9.293
General Fund Housing	2.397
Education & Lifelong Learning	2.265
<b>TOTAL: -</b>	<b>18.104</b>

5.3.10 The Schools cost pressures totalling £12.928m are set out in Table 5 below -

Table 5 – Schools Cost Pressures

	<b>£m</b>
Teachers' Pay Award	4.423
National Joint Council (NJC) Pay Award (School-Based Staff)	0.935
Increase in Employer Pension Contributions (NJC Staff)	0.163
Non-Pay Inflation	5.897
Other Service Pressures	1.509
<b>TOTAL: -</b>	<b>12.928</b>

5.3.11 **Teachers' Pay Award** – The 2022/23 budget approved by Council in February 2022 assumed a teachers' pay award of 3% from September 2022. However, the final approved pay award was an uplift of 5% which required additional funding of £2.072m to be identified. This has been funded in 2022/23 by a one-off contribution from surplus General Fund balances, and the additional cost has also now been factored into the base budget for 2023/24. In addition to this a further pay award of 3.5% is assumed from September 2023 (in line with the indicative uplift figure provided by the Independent Pay Review Body on Teachers Pay). The assumed 3.5% uplift will be held corporately in the first instance and released to budgets once the actual pay award for 2023/24 has been determined.

5.3.12 **National Joint Council (NJC) Pay Award (School-Based Staff)** – The 2023/24 Draft Budget proposals include budgetary growth to fully fund the full-year impact of the 2022/23 pay award, along with additional budget provision for an assumed pay award of 5% from April 2023.

5.3.13 **Increase in Employer Pension Contributions (NJC Staff)** – As mentioned in paragraph 5.3.5 the draft results of the 2002 triennial valuation of the Greater Gwent (Torfaen) Pension Fund require a 1% increase in the employer's contribution for 2023/24.

5.3.14 **Non-Pay Inflation** - As detailed in paragraph 5.3.7, inflation is at its highest level in 40 years with the Consumer Prices Index (CPI) inflation rate peaking at 11.1% during 2022. For schools, additional energy costs of £5.055m are anticipated for 2023/24 and other inflationary increases are expected to result in additional costs of £842k.

5.3.15 **Other Schools Service Pressures** – This includes the following: -

- School floor area related changes.
- Retrospective adjustments in relation to pupil numbers.
- Social needs funding linked to increased free school meal numbers.
- Demand pressures linked to Specialist Resource Bases (SRB's) or Specialist Satellite provision.

## 5.4 2023/24 Draft Savings Proposals

- 5.4.1 Draft savings proposals have been identified for the 2023/24 financial year totalling £12.421m. These are summarised in Table 6 with further details being provided in Appendix 2.

Table 6 – 2023/24 Draft Savings Proposals

<b>Service Area</b>	<b>Permanent Savings £m</b>	<b>Temporary Savings £m</b>	<b>Total Savings £m</b>
Corporate Services	0.616	0.742	<b>1.358</b>
Miscellaneous Finance	0.527	4.092	<b>4.619</b>
Economy & Environment	0.875	1.334	<b>2.209</b>
Social Services	0.594	0.000	<b>0.594</b>
Education & Lifelong Learning	0.420	0.693	<b>1.113</b>
Schools	2.528	0.000	<b>2.528</b>
<b>TOTAL: -</b>	<b>5.559</b>	<b>6.862</b>	<b>12.421</b>

- 5.4.2 The savings proposals have been split into 2 categories, those that are permanent and those that are temporary (i.e. not sustainable in the medium to longer term). Savings of a temporary nature are not ideal but they do provide a window of opportunity to identify, approve and implement permanent savings in readiness for the 2024/25 financial year.
- 5.4.3 Members will note that there is a proposed saving of £2.528m for schools. To put this into context, Table 5 of this report shows total schools cost pressures of £12.928m for 2023/24. It is proposed that additional funding of £10.400m is allocated to schools which is an uplift of 8.5%. This will result in anticipated pay awards and general non-pay inflationary increases being funded, but estimated energy cost increases of £5.055m will only be funded at 50%. Schools will therefore be asked to manage £2.528m of the energy increase themselves through energy reduction initiatives and wider cost efficiencies.
- 5.4.4 The proposed growth of £10.400m for schools will exceed Caerphilly CBC's proportion of the consequential funding of £117m provided to WG by the UK Government for Education as referenced in paragraph 5.2.5 of this report.

## **5.5 Proposed Use of Reserves**

- 5.5.1 To achieve a balanced budget for 2023/24 it will be necessary to utilise reserves as a further one-off measure. This again provides a short window of opportunity to develop sustainable solutions to address the budget deficit from 2024/25. It is proposed that the reserves in Table 7 are released to support the budget for 2023/24.

Table 7 – Proposed Use of Reserves

<b>Description</b>	<b>£m</b>	<b>£m</b>
Covid-19 Earmarked Reserve		5.000
Cost of Living Crisis Contingency		2.098
WG Council Tax Collection Grant (2020/21)		1.122
WG Council Tax Collection Grant (2021/22)		0.878
Uncommitted Capital Earmarked Reserves		0.915
Service Reserves: -		
• Corporate Services	3.046	
• Social Services	1.119	
• Education & Lifelong Learning	0.873	5.038
<b>TOTAL: -</b>		<b>15.051</b>

- 5.5.2 Members will note the proposed use of service reserves totalling £5.038m. These reserves have been reviewed in detail and can now be repurposed to support the 2023/24 budget. Further details are provided in Appendix 3.

## 5.6 Council Tax Implications 2023/24

- 5.6.1 The draft budget proposals within this report include a proposed increase of 7.9% in Council Tax for the 2023/24 financial year. This will increase the Caerphilly CBC Band D precept from £1,253.95 to £1,353.01 i.e. an annual increase of £99.06 or weekly increase of £1.91.
- 5.6.2 The proposed increase of 7.9% for 2023/24 will result in the following totals for the Caerphilly CBC element of the Council Tax (the Police & Crime Commissioner and Town/Community Council precepts will be added to these totals when confirmed at a later date): -

Table 8 – 2023/24 Council Tax (CCBC Element) at 7.9% Increase

<b>Band</b>	<b>Council Tax (CCBC Element) £</b>	<b>Weekly Increase £</b>
<b>A</b>	902.01	1.27
<b>B</b>	1,052.34	1.48
<b>C</b>	1,202.68	1.69
<b>D</b>	1,353.01	1.91
<b>E</b>	1,653.68	2.33
<b>F</b>	1,954.35	2.75
<b>G</b>	2,255.02	3.18
<b>H</b>	2,706.02	3.81
<b>I</b>	3,157.03	4.45

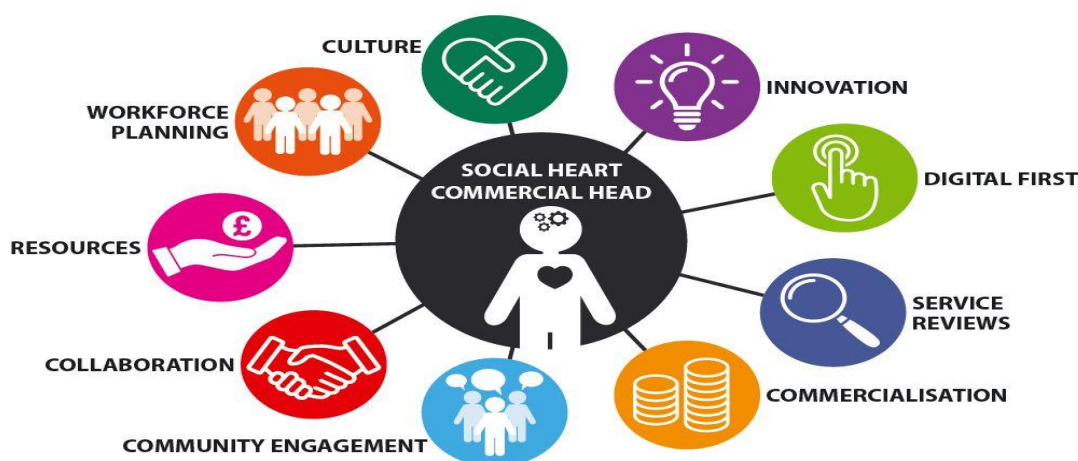
## 5.7 Financial Outlook for Future Years

- 5.7.1 Due to the unprecedented levels of inflation, the current economic outlook, and the range of temporary measures that are proposed for the 2023/24 financial year, it is clear that the Council will continue to face significant financial challenges moving forward. With this in mind the Medium-Term Financial Plan (MTFP) has been updated based on a range of assumptions, resulting in a potential savings requirement of £48.047m for the two-year period 2024/25 to 2025/26. Details are provided in Appendix 4 and the following is a summary of the key assumptions: -
- An uplift in WG funding of 2.71% for 2023/24 (based on our proportionate share of the WG indicative of 3.1%) and an assumption of 1% for 2025/26.
  - An increase of 4.5% in Council Tax for 2024/25 and 3.9% for 2025/26.
  - 3% for pay inflation in 2024/25 and 2% for 2025/26 (covering all staff including teachers).
  - 1% in 2024/25 and 0.5% in 2025/26 for NJC employer contributions.
  - Non-pay inflation at 3% for 2024/25 and 2% for 2025/26.
- 5.7.2 In addition to the above, significant work has been undertaken with Directors and Heads of Service to identify further potential service cost pressures that will need to be considered in future years. These are currently estimated at circa £10.7m for 2024/25 and £5.5m for 2025/26. This is work in progress and the figures will be subject to change moving forward.
- 5.7.3 The temporary measures in the 2023/24 Draft Budget Proposals totaling £21.913m can be used for one year only. Whilst the temporary savings and the prudent use of our reserves provides an opportunity to smooth the path to major reform and transformation, we have only one chance to do this. As Members are acutely aware reserves can only be used once and therefore do not offer a sustainable long-term solution to bridging the budget gap of this and future years.
- 5.7.4 Given the scale of the challenge that we collectively face, a financial strategy that seeks to continuously salami slice our services and deplete our reserves is not a sustainable or an appropriate approach, especially when the demands upon our services are far higher than ever,



as our communities continue to present far greater and increasingly complex needs to us. To ensure we are able to meet the needs of our communities, whilst operating with reduced finances, a whole council and a whole county borough holistic approach is needed.

- 5.7.5 At its meeting on 12 June 2019 the Council’s Cabinet approved the Future Caerphilly Transformation Strategy, **Team Caerphilly – Better Together**. This Strategy set out details of a major transformation programme to examine how a future operating model for the Council could be developed. The principles of the new operating model included how services are prioritized, how they can become more business efficient, to explore opportunities for greater customer focus and digital delivery, and to consider alternative delivery models and seek out commercial opportunities. Furthermore, to enable the Council to continue providing high quality value for money services in an environment that will require new approaches and new skills, the Strategy acknowledged that a new relationship will need to be built with staff and communities.
- 5.7.6 The Strategy is multi-faceted and at the core of the programme of change is the new mantra of *Social Heart and Commercial Head*. This recognises a commitment to public service and the needs of citizens, but also demonstrates a commitment to explore commercial and investment opportunities, where appropriate, to generate income that can be reinvested in services to help them remain resilient in the current challenging financial climate.
- 5.7.7 The strategic programme of “whole-authority” work is being delivered through the following key themes, which underpin the new operating model of the Council: -



- 5.7.8 Good progress has been made in implementing the Strategic Action Plan that underpins the Transformation Strategy. However, the emergence of Covid-19 and the Council’s prolonged focussed response to the pandemic naturally hindered the overall intended pace of transformational change.
- 5.7.9 The Council gleaned much learning through its response to Covid-19 which helped reshape and expand the transformation programme. At its meeting on 22 July 2020, Cabinet endorsed the inclusion of ten corporate reviews within the **Team Caerphilly – Better Together** programme, all of which expand on or embed further many of the positive changes implemented in response to Covid-19. The Corporate Reviews are as follows: -

1	Walk in Services Review
2	Remote Contact Review
3	Front Line Delivery Review

4	Support Services Review
5	Information, Insight and Intelligence Review
6	Flexible Working Review
7	Sustainable Financial Planning Review
8	Workforce Development Review
9	Corporate Volunteering & Community Partnership Review
10	Decision-Making Review

5.7.10 The Council also launched an ambitious “Place Shaping” investment programme for the county borough, identifying potential investments of circa £500m spanning the next few years, which will lever in significant socio-economic benefits.

5.7.11 However, the sharp decline across the public sector financial landscape has hindered the pace of delivery across the Placeshaping investment programme and the programme requires a fundamental review, aligned with the emerging Corporate Plan.

5.7.12 Cabinet and the Corporate Management Team (CMT) have reviewed the key elements of the transformational programme and the Placeshaping programme previously agreed by Members in the context of the current financial challenges and the emerging Corporate Plan and have concluded that the model is still relevant, indeed even more relevant than before, as it offers us the strategic framework to develop a new operating model for the Council, which will ensure we don’t simply turn services off, rather we will deliver services differently and more efficiently.

5.7.13 The revised “**TeamCaerphilly – Better together**” operating model offers three distinct elements: -

**1) A Transformational Programme** consisting of significant corporate projects that will drive change across the whole organisation, these will include: -

- The creation of one-stop shop hubs at key locations across the county borough – providing the face of the Council within the locality, where residents can obtain information or access to key services.
- Digital by default – Service requests, routine enquiries, financial processes, to be automated.
- Agile/flexible working – implementing the next phase of our agile policy, maximising usage of our key buildings and rationalisation of our comprehensive building stock.
- Support services review – undertake a strategic review of support services across all services to create multi-disciplined roles serving the whole organisation.
- Managing the demand across Health and Social Care.
- Centralisation and rationalisation of IT systems and processes.

These strategic projects will be delivered and managed by specific project teams and a repurposed programme office.

## **2) Service Reviews**

Each Head of Service will be required to review their service areas through the new operating model lens, demonstrating how the service can be delivered more efficiently and effectively. Annual financial targets will be provided to each Corporate Director and respective Heads of Service to help frame the overall requirement. The following list is not exhaustive but provides examples of potential areas for review: -

- Enforcement and education provision
- Catering and cleaning
- Tourism venues and income generation
- Library and customer services
- Use of our Fleet
- School improvement
- Community centres
- Waste Strategy
- Youth Service

These projects will be monitored by the Chief Executive with support from the Programme office.

### **3) Placeshaping Investment Programme**

An integrated capital investment programme, using circa £30m of Council funding to lever in further significant investment, will be developed spanning the county borough. This will improve the economic, environmental and social prosperity of our county borough and the communities within it. Examples include the following: -

- A469 Troedrhifwuch strategic highway improvement
- New secondary, primary and Welsh Medium schools provision with integrated leisure, library and community use.
- New build passive social housing, creating new communities.
- New community hubs, providing one-stop shop access to the Council.
- Integrated public service hub with health and education.
- New Centre for Vulnerable Learners
- New bus/rail transport interchange.
- New enhanced tourism destination at Cwmcarn forest drive
- Improved trains and more frequent rail travel along the Rhymney Valley line.
- New active travel cycle provision across the county borough.
- New market and wider town centre regeneration.
- Enhancement of recycling centres.

5.7.14 This capital investment programme is significant in terms of scale and complexity and will need to be supported through a formal project management approach via a repurposed programme office. Importantly, to maximise the benefit of such an investment programme requires us to look across the county borough as a whole, rather than a sub-local level. It is important we recognise and maximise the opportunities each local ward area can bring and receive when looking at the total county borough area strategically. One such example to demonstrate this approach, is the increased and improved rail connections between Rhymney and Caerphilly, this investment could facilitate ease of access via rail across the East of the county borough if a new strategic leisure facility were located at Caerphilly.

5.7.15 Crucially, to deliver this ambitious and exciting Placeshaping investment programme, key decisions will need to be taken regarding a number of existing strategies we have in place, these include the Sport and Active Recreation Strategy (SARS), emerging draft Waste Strategy, 21<sup>st</sup> Century Schools Programme and the emerging Local Development Plan, as examples.

5.7.16 Whilst we have a plan to address the significant financial challenges that we face, it is important that this is mobilised quickly and progresses at pace, early within 2023. This ambitious transformation programme will need additional staff resources to implement and a growth bid of £324k is included within the 2023/24 Draft Budget Proposals. Included within the growth bid, is a new role of Head of Waste and permanent funding for four Project Managers in the Transformation Team. A draft Waste Strategy will shortly be considered by Cabinet, and if approved, this will require a dedicated Head of Service to lead and implement the required changes to ensure we not just meet the statutory waste targets, but exceed them.

5.7.17 These additional staff resources are required to deliver the exciting and bold over-arching change programme for the county borough and the organisation, ensuring that both remain sustainable and resilient, economically, socially and environmentally over the longer term. If the 2023/24 Draft Budget proposals are approved, the Chief Executive will implement a delivery plan to mobilise the organisation promptly.

## **5.8 Conclusion**

5.8.1 This report provides details of the Draft Budget Proposals for 2023/24 based on the WG Provisional Local Government Financial Settlement.

5.8.2 A balanced budget can be delivered for 2023/24 based on a combination of permanent and temporary savings totalling £12.421m, the one-off use of reserves totalling £15.051m and an increase of 7.9% in Council Tax.

5.8.3 The report also provides details of the updated Medium-Term Financial Plan (MTFP), which currently shows a potential savings requirement of £48.047m for the two-year period 2024/25 to 2025/26.

5.8.4 The scale of the financial challenge facing the Council requires new approaches to service delivery and this will be driven through our Transformation and Placeshaping Investment Programmes. It is vital that these are developed at pace and that key decisions are made early to ensure that the projected savings requirement for 2024/25 and 2024/16 can be delivered.

## **6. ASSUMPTIONS**

6.1 A range of assumptions have been made throughout the report in respect of pay and non-pay inflationary increases, inescapable service pressures, and the level of funding settlements moving forward.

## **7. SUMMARY OF INTEGRATED IMPACT ASSESSMENT**

7.1 Budget impact assessments are in draft due to the late notification of the Provisional Settlement and will be refined over the coming weeks and supplemented by the outcomes of the public consultation, which will not conclude until 08 February 2023. All budget impact assessments and associated integrated impact assessments will be finalised for the reports to Cabinet on 22 February 2023 and Council on 23 February 2023.

7.2 Draft impact assessments can be found on the following dedicated webpage: -

### **Budget Impact Assessments 2023-2024**

English - [budget-impact-assessments-2023-2024](#)

Cymraeg - [budget-impact-assessments-2023-2024?lang=cy-gb](#)

### **Integrated Impact Assessments 2023-2024**

English - [integrated-impact-assessments-2023-2024](#)

Cymraeg - [integrated-impact-assessments-2023-2024?lang=cy-gb](#)

7.3 The proposed increase in Council Tax of 7.9% will result in weekly increases ranging from £1.27 for Band A properties to £4.45 for Band I properties. 75.81% of properties in the county borough are in bands A to C. Vulnerability is associated with socio-economic disadvantage and for individuals with one or more protected characteristics. The Council Tax Reduction Scheme (CTRS) mitigates against the socio-economic impacts on the most vulnerable households. 15,999 households receive support with their Council Tax payments from the scheme,

representing 19.89% of all households in the county borough. 10.26% (8,253 households) receive the maximum 100% level of support.

## [Integrated Impact Assessment Council Tax 2023](#)

### **8. FINANCIAL IMPLICATIONS**

8.1 As detailed throughout the report.

### **9. PERSONNEL IMPLICATIONS**

9.1 Where staffing reductions are required as a consequence of savings proposals the Council will firstly try to achieve this through 'natural wastage' and not filling vacancies. However, where this is not possible the Council will utilise agreed HR policies and compulsory redundancies will only be considered as a last resort after all other options have been fully exhausted.

9.2 The Trade Unions will be consulted on the 2023/24 Draft Budget Proposals and will also be fully engaged in proposals to reshape services moving forward.

### **10. CONSULTATIONS**

10.1 Through the Council's ongoing engagement programme 'The Caerphilly Conversation' residents have, over a period of time, given their views on which Council services are most important to them and where they feel the Council should prioritise its budget spend.

10.2 The latest phase of engagement activity, 'The Caerphilly Conversation – what matters to you?' took place during November and early December 2022 and sought to offer an early-stage insight into services that residents feel are most needed and valued. This insight has been key in shaping this report and the development of the draft savings proposals within. This phase of the engagement programme featured extensive face-to-face engagement with communities, as well as a survey – available online and in hard copy – and targeted engagement with stakeholder groups and seldom heard communities. Through this engagement activity, over 500 individual comments were received and 292 surveys completed, with key findings identified below.

10.3 In the current engagement work, in particular, 90% or more of those who responded felt that social care, community safety, education and schools, roads and highway maintenance, opportunities to be fit – physically and mentally - and jobs and employment were *more important* or *about the same* as they were a year ago.

10.4 Other themes that elicited particularly strong responses about services being *more important* or *about the same* as they were a year ago included: -

- Parks and green spaces (87%)
- Waste and recycling collections (87%)
- Housing and tackling homelessness (86%)
- Public transport (85%)
- Street cleansing and environmental improvements (81%)

10.5 In addition, comments associated with the cost of living crisis featured prominently with respondents indicating that tackling food poverty and free school meals (85%), financial and council tax support (84%), support for low income families (88%) and support for businesses (81%) were *more important* to them or *about the same* as they were a year ago.

- 10.6 A full overview of the 'Caerphilly Conversation – what matters to you?' engagement programme responses will be available at [www.caerphilly.gov.uk/caerphillyconversation](http://www.caerphilly.gov.uk/caerphillyconversation)
- 10.7 The next phase of consultation and engagement work, launching on 19 January 2023 and running until the 08 February 2023, will seek views on the specific draft proposals highlighted within this report, building upon the Budget Impact Assessments, and where relevant Integrated Impact Assessments developed for each proposal. The engagement programme will once again include further extensive face-to-face engagement, a survey and targeted stakeholder engagement. Key findings and responses will help shape the final draft budget report for members' consideration in February 2023.
- 10.8 A Joint Scrutiny Committee meeting is scheduled for 25 January 2022 which will provide an opportunity for all Elected Members to consider and comment upon the 2023/24 Draft Budget Proposals.

## 11. STATUTORY POWER

- 11.1 The Local Government Acts 1998 and 2003.

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Appendices: -

Appendix 1 – 2023/24 General Fund Inescapable Service Pressures

Appendix 2 – 2023/24 Draft Savings Proposals

Appendix 3 – Proposed Use of Service Reserves

Appendix 3 – Updated Medium-Term Financial Plan

Background Papers: -

[Cabinet \(12/06/19\) – Future Caerphilly Transformation Strategy, Team Caerphilly – Better Together](#)

[Cabinet \(22/07/20\) – Strengthening Team Caerphilly](#)

[Cabinet \(24/02/21\) – Caerphilly Wellbeing and Place Shaping Framework](#)